

## Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 OPIC-03 SAM-01 CIAE-00 DODE-00

PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01

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R 181109Z APR 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 2537

INFO AMEMBASSY BONN

AMEMBASSY BRASILIA

USMISSION EC BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

USMISSION NATO

USCINCEUR VAIHINGEN GER

AMCONSUL OPORT

AMCONSUL PONTA DELGADA

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E.O. 11652: N/A

TAGS: ECON, PINT, PO

SUBJ: ALVARO CUNHAL ON NATIONALIZATIONS AND ECONOMY

REF: LISBON 2189, 2190, 2191

SUMMARY: MINISTER AND COMMUNIST PART HEAD ALVARO CUNHAL  
IN INTERVIEW WARNED NATIONALIZATIONS WOULD NOT BRING SHORT-  
TERM RESULTS. LARGE EFFORTS AND INPUTS BY BOTH STATE AND  
WORKERS WILL BE REQUIRED. FOREIGN CRITICISMS WILL NOT HAVE  
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PERCEPTIBLE EFFECT ON POLITICAL PROCESS. NATIONALIZATIONS

WILL REQUIRE REORGANIZATIONS AND PERSONNEL TRANSFERS, ESPECIALLY IN BANKING SECTOR, BUT NO ONE WILL BE THROWN OUT OF WORK. SMALLER BUSINESSMEN AND FARMERS HAVE NO REASON FOR UNEASE, AS MEASURES ARE ONLY AIMED AT BIG "PARASITES" AND LANDHOLDERS. END SUMMARY.

1. IN LENGTHY INTERVIEW CARRIED IN APRIL 17 O SECULO, MINISTER WITHOUT PORTFOLIO (AND PORTUGUESE COMMUNIST PARTY HEAD) ALVARO CUNHAL DISCUSSED PORTUGUESE ECONOMY IN LIGHT OF ECONOMIC MEASURES ANNOUNCED PREVIOUS DAY (REFTELS). MAIN POINTS:

A. ECONOMY AND NATIONALIZATIONS: PORTUGUESE ECONOMY IS DISORGANIZED WITH DISSOLUTION OF MONOPOLY CAPITALISM, AND ECONOMIC SABOTAGE CONTINUES. RECUPERATION WILL NOT BE RAPID. NATIONALIZATIONS WILL NOT BRING ANY SPECTACULAR SHORT-TERM RESULTS. IN SOME CASES NATIONALIZED COMPANIES WERE LITERALLY OR TECHNICALLY BANKRUPT, WITH HEAVY DEPTS WHICH STATE WILL HAVE TO PAY OFF. PRICE FREEZES ALSO REPRESENT GREAT BURDENS FOR GOVERNMENT.

B. NATIONALIZATIONS AND OBLIGATIONS: NATIONALIZATIONS ARE ONLY WORTHWHILE IF WORKERS INVOLVE THEIR ENERGIES, FORCE, AND EVEN, "IN SOME CASES," SACRIFICES. NEW RIGHTS OF WORKERS ARE ACCOMPANIED BY NEW OBLIGATIONS. PERMITTING WORKERS TO BE INFLUENCED BY ANY PROPAGANDA AGAINST NATIONALIZATIONS WOULD MEAN COLLAPSE OF PORTUGUESE DEMOCRACY.

C. FOREIGN OPPOSITION: FOREIGN CRITICISMS OF NATIONALIZATION MEASURES ARE DISAGREEABLE BUT UNDERSTANDABLE. SOME FOREIGNERS WANT PORTUGAL TO REMAIN SEMI-COLONY OF EUROPE. WE DON'T HAVE TO SERIOUSLY TAKE SUCH REACTIONS INTO ACCOUNT, BECAUSE WE AREN'T ISOLATED IN THE WORLD. SUCH REACTIONS WON'T PERCEPTIBLY AFFECT OUR POLITICAL PROCESS. OUR NATIONALIZATIONS ARE NOT BEYOND BOUNDS OF THOSE MADE IN POST-WAR AND OTHER EVOLUTIONARY PERIODS OF EUROPEAN CAPITALIST COUNTRIES.

D. IMPACT OF NATIONALIZATIONS: NATIONALIZATIONS, WHICH ONLY AFFECT A RESTRICTED SECTOR, HAVE TO BE ACCOMPANIED BY AMPLE IMPLEMENTING MEASURES. IN MEDIUM RANGE THEY WILL LEAD TO GREATER PROFITABILITY AND EFFICIENCY, BUT WILL ALSO REQUIRE REORGANIZATIONS AND PERSONNEL DISLOCATIONS. ALTHOUGH NO ONE WILL BE THROWN OUT OF WORK, RECONVERSIONS MAY LEAD TO LOSSES OF JOBS IN SOME SECTORS, WITH WORKERS BEING REABSORBED INTO OTHER SECTORS.

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E. REORGANIZATION OF BANKS: SPECIFIC EXAMPLE IS BANKING SECTOR, WHERE PREVIOUS CAPITALIST COMPETITION LED TO FAR GREATER FACILITIES THAN ARE NOW NEEDED. THERE IS NO LONGER ANY NEED FOR THREE OR FOUR BANK AGENCIES IN SMALL TOWNS, AND OVER-ALL ONLY ONE-QUARTER TO ONE-HALF OF CURRENT BANK STAFF WOULD BE ENOUGH FOR PRESENT NEEDS.

F. REASSURANCE TO NON-MONOPOLISTS: THERE IS NO REASON FOR UNEASE AMONG SMALL AND MEDIUM BUSINESSMEN AND SMALL STOCK-

HOLDERS. ONLY ONES WHO HAVE REASONS TO REAR ARE THOSE BIG "PARASITES" WHOSE HUGE PROFITS PERMIT THEM TO CONTINUE LIFE OF OSTENTATION AND LUXURY. NATIONALIZATIONS AND CONSEQUENT STATE COVERAGE HAVE ACTUALLY KEPT MANY SMALL SHAREHOLDERS FROM LOSING ALL THEIR ASSETS.

G. AGRICULTURE: ANNOUNCED AGRARIAN REFORM MEASURES DO NOT AT THE MOMENT AFFECT THE NORTH; ASSISTANCE TO NORTHERN FARMERS WILL BE RENDERED BY RECENT MEASURES CONCERNING FARM RENTALS, MARKETS, AND PRICES. ALL REFORMS MUST BE BASED ON COMPLETELY FREE WILL OF FARMERS; ONLY GREAT LANDHOLDERS OF SOUTH ARE SUBJECT TO COMPULSIVE MEASURES. UNEASINESS AMONG SMALL AND MEDIUM-SIZED FARMERS AND POOR NORTHERN PEASANTS IS RESULT OF ANTI-COMMUNIST CAMPAIGN OF LIES.

H. EMPLOYMENT: DESPITE TITLE, EMPLOYMENT PROGRAM BEING CONCRETIZED (LISBON 2195) WILL NOT RAPIDLY CREATE JOBS; IT WILL BE ATTACK ON ORIGINS OF UNEMPLOYMENT.

2. COMMENT:

A. CUNHAL CONTINUED TO PUSH HIS MODERATE PUBLIC IMAGE. HE WENT TO SOME LENGTHS TO REASSURE SMALL BUSINESS AND AGRICULTURE THAT GOVERNMENT'S MEASURES ARE LIMITED, AND AIMED ONLY AT "MONOPOLISTS."

B. HE ALSO PLACED GREAT EMPHASIS ON NEED FOR WORKERS TO REALIZE THAT OBLIGATIONS GO ALONG WITH NEW POWERS, THAT ECONOMIC RECOVERY CANNOT TAKE PLACE OVERNIGHT.

C. CUNHAL'S COMMENT ABOUT EXCESSIVE NUMBER OF BANK EMPLOYEES IS IRONIC. ALTHOUGH IN PAY, HOURS, BENEFITS, AND WORKING CONDITIONS THEY WERE AMONG THE ELITE OF PORTUGUESE WORKERS, BANK EMPLOYEES HAVE BEEN VERY MILITANT. STRONGLY INFLUENCED BY COMMUNIST PARTY'S FELLOW-TRAVELLER, PORTUGUESE DEMOCRATIC MOVEMENT (MDP/CDE), THEY PRESSED STRONGLY FOR INTERVENTIONS AND/OR NATIONALIZATIONS IN VARIOUS BANKS. AFTER MARCH 11 THEY THREATENED TO KEEP ALL BANKS CLOSED UNTIL LIMITED OFFICIAL USE

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THEY WERE NATIONALIZED. NOW THAT THEIR DREAM HAS COME TRUE, EMBASSY HAD INDICATIONS THEY ARE HAVING SECOND THOUGHTS, FACING THEIR PROSPECTIVE STATUS AS TRUNCATED GROUP OF ORDINARY (AND LOWER PAID) CIVIL SERVANTS.  
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